



Cederberg Municipality

Risk Management Strategy

April 2017

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ACRONYMS

AC	Audit Committee
AO	Accounting Officer
CAE	Chief Audit Executive
CRO	Chief Risk Officer
ERM	Enterprise Risk Management
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
MM	Municipal Manager
RMC	Risk Management Committee
SDBIP	Service Delivery and Budget Implementation Plan

1. INTRODUCTION

Cederberg Municipality has undertaken to embed a culture of Enterprise Risk Management (ERM) within the municipality and to identify, assess, manage, monitor and report risks to ensure the achievement of objectives as identified in the IDP.

2. PURPOSE OF DOCUMENT

The purpose of the risk management strategy is to take what is in the risk management policy and apply it in strategy. This strategy sets out all risk management activities planned for the 2016-17 financial year. This document also provides insight as to how the municipality will implement risk management going forward.

3. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the role players in the risk management process are as follows:

3.1. Risk Management Oversight

3.1.1. Council

Council is responsible for the governance of risk. Council takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect Cederberg Municipality against significant risks.

Council has to report to the community, on the municipality's system of internal control. This provides comfort that the municipality is protected against significant risks to ensure the achievement of objectives as detailed in the Service Delivery and Budget Implementation Plan (SDBIP).

Council **must** perform the following tasks, to fulfil its mandate with regard to ERM.

Ref.	Activity	Frequency
01	Understand, determine and approve the risk appetite with guidance from the CRO and the RMC.	Annually
02	Ensure that frameworks and methodologies are developed and implemented.	Annually
03	Ensure that IT, Fraud & Corruption and Occupational Health and Safety (OHS) risks are considered as part of the municipality's risk management activities.	Annually
04	Ensure that risk assessments (strategic and operational) are performed by reviewing the RMC reports.	Annually
05	Ensure that assurance regarding the effectiveness of the ERM process is received from the MM, RMC and the Audit Committee	Annually

Ref.	Activity	Frequency
06	Disclose how they have satisfied themselves that risk assessments, responses and interventions are effective as well as undue, unexpected or unusual risks and any material losses (the annual report to include a risk disclosure).	Annually
07	Ensure that management implements, monitors and evaluates performance through the RMC reports.	Annually

3.1.2. Audit Committee (AC)

The AC is an independent committee, responsible to oversee the municipality's control, governance and risk management. This committee is vital to, among other things, ensure that financial, IT and fraud risk related to financial reporting are identified and managed.

The AC's primary responsibility is providing an independent and objective view of the effectiveness of the municipality's risk management process to council and to provide recommendations to the MM for continuous improvement and management of risks. The responsibilities of the AC with regard to risk management are formally defined in its charter.

The Audit Committee **must** perform the following tasks, to fulfil its mandate with regard to ERM.

Ref.	Activity	Frequency
08	Formally define its responsibility with respect to risk management in its charter.	Annually
09	Ensure that combined assurance is given to address all the significant risks facing the municipality.	Annually
10	Advise council on risk management. (This will be clearly defined in the charter)	Annually
11	Review the internal and external audit plans and ensure that these plans address the risk areas of the municipality.	Annually
12	Review and recommend disclosures on matters of risk and risk management in the Annual Financial Statements (AFS).	Annually
13	Include statements regarding risk management performance in the annual report to stakeholders.	Annually
14	Evaluate the effectiveness of Internal Audit in its responsibilities for risk management.	Annually
15	Provide regular feedback to the MM on the adequacy and effectiveness of risk management in the municipality.	Quarterly
16	Ensure that internal and external audit plans are aligned to the risk profile of the municipality.	Annually
17	Ensure that all risk including, IT, fraud & corruption and OHS risks have been properly addressed.	Quarterly
18	Provide an independent and objective view of the municipality's risk management effectiveness.	Annually

3.1.3. Risk Management Committee (RMC)

The committee's role is to review the risk management progress and maturity of the municipality, the effectiveness of risk management activities, the key risks facing the municipality and the responses to address these key risks.

The RMC *must* perform the following tasks, to fulfil its mandate with regard to ERM.

Ref.	Activity	Frequency
19	Formally define its roles and responsibilities with respect to risk management in its charter.	Annually
20	Review and recommend approval of the Risk Management Policy to the MM.	Annually
21	Review and recommend approval of the Risk Management Strategy to the MM.	Annually
22	Provide guidance to the MM, CRO and other relevant risk management stakeholders on how to manage risks to an acceptable level.	Quarterly
23	Provide timely and useful reports to the MM on the state of ERM, together with recommendations.	Quarterly
24	Share risk information with the Audit Committee.	Quarterly
25	Evaluate the extent and effectiveness of integration of ERM within the municipality.	Quarterly
26	Assess implementation of the Risk Management Policy and Strategy.	Quarterly
27	Review material findings and recommendations by assurance providers on the system of risk management and monitor implementation of such recommendations.	Quarterly
28	Develop KPIs for the MMs approval.	Annually
29	Measure and understand the municipality's overall exposure to fraud and corruption and ensure that proper processes are in place to prevent these risks from materialising.	Quarterly
30	Measure and understand the municipality's overall exposure to IT and ensure that proper processes are in place to prevent these risks from materialising.	Quarterly
31	Measure and understand the municipality's overall exposure to Occupational Health & Safety (OH&S) and ensure that proper processes are in place to prevent these risks from materialising.	Quarterly

3.2. Risk Management Implementers

3.2.1. Municipal Manager

The MM is ultimately responsible for risk management within the municipality. This includes ensuring that the responsibility for risk management vests at all levels of management. The MM sets the tone at the top by promoting accountability, integrity and other factors that will create a positive control environment.

The MM *must* perform the following tasks, to fulfil its mandate with regard to ERM.

Ref.	Activity	Frequency
32	Understand and determine the risk appetite with guidance from the CRO and the RMC.	Annually
33	Ensure that frameworks and methodologies are developed and implemented.	Annually
34	Appoint adequate staff capacity to drive the ERM activity.	As the need arises
35	Appoint a RMC with the necessary skills, competencies and attributes.	As the need arises
36	Ensure that the control environment supports the effective functioning of ERM.	Quarterly
37	Hold officials accountable for their specific risk management responsibilities.	Ongoing
38	Devote personal attention to overseeing management of significant risks.	Quarterly
39	Ensure appropriate action in respect of recommendations of the AC, Internal Audit, External Audit and RMC to improve ERM.	Quarterly
40	Evaluate the value add of risk management. (NT financial management maturity capability model)	Annually
41	Provide assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated.	Quarterly
42	Provide leadership and guidance.	Ongoing

3.2.2. Management

All other levels of management, support the municipality's risk management philosophy, promote compliance with the risk appetite and manage risks within their areas of responsibility.

Management takes ownership for managing the municipality's risks within their areas of responsibility and is accountable to the MM for designing, implementing, monitoring and integrating ERM into their day-to-day activities of the municipality. This should be done in a manner that ensures that risk management becomes a valuable strategic management tool.

Management **must** perform the following tasks, to fulfil its mandate with regard to ERM.

Ref.	Activity	Frequency
43	Execute their responsibilities as set out in the approved Risk Management Strategy.	Daily
44	Report to the RMC regarding the performance of internal controls for those risks in the operational risk registers.	Quarterly
45	Devote personal attention to overseeing the management of key risks within their area of responsibility.	Ongoing
46	Empower officials to perform effectively in their risk management responsibilities.	Ongoing
47	Maintain a co-operative relationship with the CRO and Risk Champions.	Ongoing
48	Maintain the proper functioning of the control environment within their area of responsibility.	Ongoing
49	Hold officials accountable for their specific risk management responsibilities.	Ongoing
50	Continuously monitor the implementation of risk management within their area of responsibility.	Ongoing

3.2.3. Other Officials

Other officials are responsible for integrating risk management into their day-to-day activities i.e. by ensuring conformance with controls and compliance to procedures.

Other officials **must** perform the following tasks, to fulfil its mandate with regard to ERM.

Ref.	Activity	Frequency
51	Take the time to read and understand the content in the Risk Management Policy, but more importantly understanding their roles and responsibilities in the risk management process.	Constantly
52	Apply the risk management process in their respective functions.	Ongoing
53	Inform their supervisors and/or the risk management unit (CRO) of new risks and significant changes.	As the need arises
54	Co-operate with other role players in the risk management process.	Ongoing
55	Provide information to role players in the risk management process as required.	As the need arises

3.3. Risk Management Support

3.3.1. Chief Risk Officer

The CRO is the custodian of the Risk Management Strategy and Implementation Plan and the coordinator of ERM activities throughout Cederberg Municipality. The primary responsibility of the CRO is to use his / her specialist expertise to assist the municipality to embed ERM and leverage its

benefits to enhance performance. The CRO plays a vital communication link between senior management, operational level management, the RMC and other relevant committees.

The CRO *must* perform the following task, to fulfil its mandate with regard to ERM.

Ref.	Activity	Frequency
56	Assist the MM and senior management develop the municipality's vision for risk management. (Philosophy)	Annually
57	Develop, in consultation with management, the municipality's risk management framework and methodologies.	Annually
58	Research and develop the risk rating scales.	Annually
59	Communicate the municipality's risk management framework and methodologies to all stakeholders.	Annually
60	Facilitate orientation and training for RMC.	As the need arises
61	Train all stakeholders in their ERM responsibilities.	Quarterly
62	Continuously drive ERM to higher levels of maturity.	Ongoing
63	Coordinate and facilitate the assessments.	Quarterly
64	Prepare ERM registers, reports and dashboards for submission to the RMC and other roles players.	Quarterly
65	Coordinate the implementation of response strategies.	Ongoing
66	Ensure that all IT, fraud, OHS risks are considered as part of the municipality's ERM activities.	Ongoing
67	Avail the approved risk registers to Internal Audit on request.	As the need arises
68	Consolidate risk identified by the various Risk Champions.	Quarterly
69	Participate with Internal Audit, Management and AG in developing the combined assurance plan.	Annually

3.3.2. Risk Champions

A Risk Champion would generally hold a senior position within the municipality and possess the skills, knowledge and leadership qualities required to champion a particular aspect of risk management.

The Risk Champion assist the CRO facilitate the risk assessment process and manage risks within their area of responsibility to be within the risk appetite. Their primary responsibilities are advising on, formulating, overseeing and managing all aspects of a municipality's entire risk profile, ensuring that major risks are identified and reported upwards.

Risk Champions **must** perform the following tasks, to fulfil its mandate with regard to ERM.

Ref.	Activity	Frequency
70	Facilitate operational risk workshops for their area of responsibility with the assistance of the CRO.	Quarterly
71	Co-ordinate the implementation of action plans for the risk and report on any developments regarding the risk.	Quarterly
72	Populate the risk registers/dashboard.	Ongoing
73	Ensure that all risk information is updated regularly and submitted to the CRO.	Ongoing
74	Provide assurance regarding the risk's controls.	Ongoing

3.4. Risk Management Assurance Providers

3.4.1. Internal Audit

The core role of Internal Audit in risk management is to provide an independent, objective assurance to council and the Audit Committee on the effectiveness of risk management. Internal Audit also assists in bringing about a systematic, disciplined approach to evaluate and improve the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

Internal Audit **must** perform the following tasks, to fulfil its mandate with regard to ERM.

Ref.	Activity	Frequency
75	Provide assurance on the ERM process design and its effectiveness.	Annually
76	Provide assurance on the management of "key risks" including, the effectiveness of the controls and other responses to the "key risks."	Annually
77	Provide assurance on the assessment and reporting of risk and controls.	Annually
78	Prepare a rolling three (3) year Internal Audit plan based on its assessment of key areas of risk.	Annually

3.4.2. External Audit

External Audit (Auditor-General) provides an independent opinion on the effectiveness of ERM.

External Audit **must** perform the following tasks, to fulfil its mandate with regard to ERM.

Ref.	Activity	Frequency
79	Determine whether the risk management framework and methodologies are in place and appropriate.	Annually
80	Assess the implementation of the risk management framework and methodologies.	Annually
81	Review the risk identification process to determine if it is sufficient to facilitate the timely, correct and complete identification of significant risks.	Annually

82	Review the risk assessment process to determine if it is sufficient to facilitate timely and accurate risk rating and prioritisation.	Annually
83	Determine whether management action plans to mitigate the key risks are appropriate and are being effectively implemented.	Annually

4. RISK MANAGEMENT IMPLEMENTATION

4.1 Reporting Lines

The structures through which risk management will be reported within Cederberg Municipality are set out below.

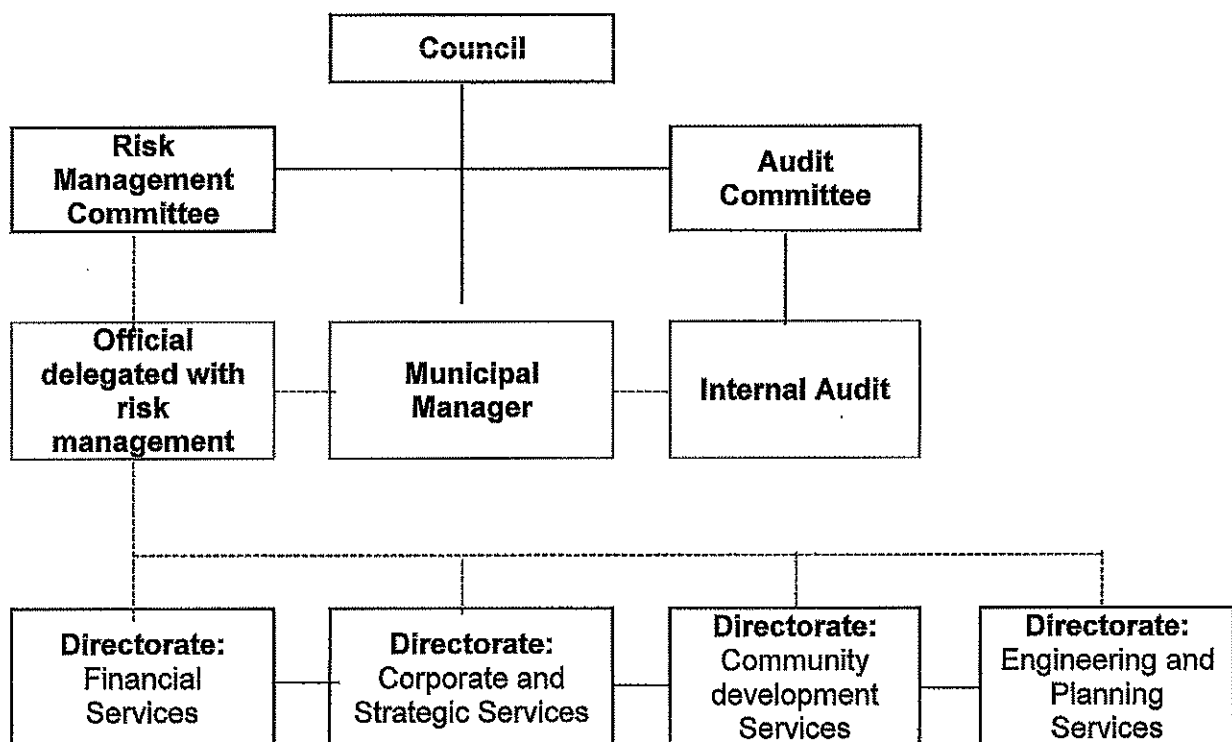


Illustration 1: Cederberg Municipality's Risk Management Reporting Structure